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Message Text

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60
ORIGIN ARA-20

INFO OCT-01 EUR-25 ISO-00 SS-15 L-03 H-03 SPC-03 NSC-10

CIAE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-15 PRS-01

EB-11 STR-08 AGR-20 COME-00 TRSE-00 CIEP-02 OMB-01

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DRAFTED BY ARA/CAR:JRBURKE:HLM
APPROVED BY ARA:HWSHLAUDEMAN
EB/ICD/TEP:TTTURGMAN
EB/ORF/ICD/TRP:PPPILKAUSKAS
ARA/CEP:CREYNOLDS (INFO)
---------- 029283
P 052219Z OCT 73
FM SECSTATE WASHDC
TO AMEMBASSY BRIDGETOWN PRIORITY
AMEMBASSY GEORGETOWN PRIORITY
AMEMBASSY KINGSTON PRIORITY
AMEMBASSY PORT OF SPAIN PRIORITY
INFO AMEMBASSY LONDON PRIORITY
USMISSION EC BRUSSELS PRIORITY
USMISSION GENEVA PRIORITY

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GENEVA FOR SUGAR DELEGATION

E.O. 11652: N/A
TAGS:ETRD, EAGR, XL
SUBJECT:SUGAR; DEMARCHE BY COMMONWEALTH AMBASSADORS PROTESTING PROPOSED REDUCTION WEST INDIES SUGAR QUOTA FOR CY 74.
REFERENCE: STATE 189220

1. ON LEARNING THAT USDA WAS RELEASING PRELIMINARY 1974 SUGAR QUOTAS OCTOBER 4, FOUR COMMONWEALTH CARIBBEAN
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AMBASSADORS (JAMAICA, BARBADOS, TRINIDAD AND TOBAGO,

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GUYANA) SOUGHT URGENT APPOINTMENT WITH ASSISTANT SECRETARY KUBISCH. IN HIS ABSENCE (KUBISCH IN NEW YORK AT UN), AMBASSADORS MET WITH DEPUTY ASSISTANT SECRETARY SHLAUDEMAN AT 5:00 PM YESTERDAY. AMBASSADORS HANDED HIM JOINT NOTE ADDRESSED TO THE SECRETARY.

2. FOUR-PAGE NOTE PROTESTS PROPOSED NINETY PERCENT CUT IN WEST INDIES SUGAR QUOTA FOR CY 1974 AND RESTATES EXPLANATION OF FAILURE TO FILL QUOTA MADE ORALLY TO KUBISCH SEPTEMBER 20 (REFTEL): CLIMATE CONDITIONS IN THE PRODUCING REGION WORST IN TWENTY YEARS; CONCERN OVER NEGOTIATIONS WITH THE EC AND POSSIBLE LOSS OF ACCESS TO TRADITIONAL UK MARKET CAUSED THEM TO GIVE PRIORITY TO FILLING COMMONWEALTH QUOTA. NOTE GOES ON TO EMPHASIZE PRIME IMPORTANCE OF SUGAR INDUSTRY TO ECONOMIES OF THE CARIBBEAN AND DISASTROUS CONSEQUENCES LIKELY TO FLOW SHOULD PRODUCTION CUTBACK BE NECESSARY. NOTE PROPOSES

A MEETING BETWEEN OFFICIALS OF THE UNITED STATES GOVERN-MENT AND WEST INDIES GOVERNMENTS IN MID-OCTOBER WITH A VIEW TO FINDING A SATISFACTORY SOLUTION NOT ONLY TO THE IMMEDIATE PROBLEM OF 1974 SUGAR EXPORTS, BUT TO SET A FIRM BASIS FOR A LONGTERM POLICY." NOTE CONCLUDES WITH FOLLOWING PARAGRAPH; "IT IS CONFIDENTLY EXPECTED THAT THE 1974 WEST INDIES SUGAR PRODUCTION WILL RETURN TO NORMAL. ON THIS BASIS, AND TAKING ACCOUNT OF THE MINISTERIAL REVIEW IN EARLY OCTOBER SHOULD THE 1974 QUOTA BE MAINTAINED AT EXISTING LEVELS, IF NECESSARY THROUGH PRESIDENTIAL ACTION, THE SECRETARY OF STATE CAN BE ASSURED THAT EVERY EFFORT WILL BE MADE TO FILL THAT QUOTA."

3. AFTER READING NOTE, SHLAUDEMAN REITERATED TO THE AMBASSADORS THAT PROBLEM WAS A LEGAL ONE AND THAT USDA'S ACTION UNDER SECTION 202(D)(4) OF THE SUGAR ACT WAS OBLIGATORY AND NON-DISCRIMINATORY. HE FURTHER INFORMED THEM THAT SECTION 204(A) WAS BEING EXAMINED TO SEE WHAT APPLICABILITY IT MIGHT HAVE TO THE PRESENT SITUATION. HE EMPHASIZED, HOWEVER, THAT IT DID NOT APPEAR THAT ACTION REQUIRED UNDER 202(D)(4)--NAMELY THE SETTING OF A REVISED LIMITED OFFICIAL USE

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1974 QUOTA--COULD BE NULLIFIED BY 204(A). HE AGREED THAT IN AN EXAMINATION OF THE OVERALL PROBLEM PRESENTED BY THE LAW, DISCUSSIONS BETWEEN GOVERNMENTS, AS PROPOSED IN THEIR NOTE, COULD BE HELPFUL.

4. AMBASSADOR MCCOMBIE (BARBADOS), AGAIN ACTING AS SPOKE-MAN FOR THE GROUP, EXPRESSED THE HOPE THAT IN GIVING CONSIDERATION TO THE LEGAL POSITION, ACCOUNT COULD BE TAKEN

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OF THE FACT THAT SHORTFALL RESULTED FROM A DECISION TO FILL TRADITIONAL COMMONWEALTH QUOTA AT A PRICE DISADVANTAGE OF APPROXIMATELY DOL SIXTY PER TON WHEN COMPARED TO WHAT THE SUGAR WOULD HAVE COMMANDED IN THE US MARKET. THUS, THOUGH THE LETTER OF SECTION 202(D)(4) MIGHT HAVE BEEN VIOLATED, ITS INTENT (THE PREVENTION OF PROFITEERING) HAD NOT BEEN CONTRAVENED.

5. THE OTHER AMBASSADORS SUPPORTED MCCOMBIE AND REPEATED POINTS MADE IN EARLIER MEETING, NOTABLY THAT A SHARPLY REDUCED QUOTA COULD ADVERSELY AFFECT THE WEST INDIES WHEN NEW SUGAR LEGISLATION WAS BEING DRAFTED, THAT IT WOULD IMPEDE EFFORTS NOW UNDERWAY (IN TRINIDAD AND TOBAGO AND JAMAICA) TO OBTAIN CAPITAL FOR THE MODERNIZATION OF THE INDUSTRY, AND THAT IT COULD BE DISRUPTIVE POLITICALLY AND SOCIALLY.

6. SHLAUDEMAN POINTED OUT THAT PROSPECTS WERE THAT WORLD SUGAR MARKET WOULD REMAIN FIRM FOR THE FORSEEABLE FUTURE AND WEST INDIES WOULD PROBABLY BE ABLE TO SELL ALL THE SUGAR THEY COULD PRODUCE DURING 1974 AT GOOD PRICES. AS FOR THE SHAPE OF FUTURE SUGAR LEGISLATION, THERE WAS ALWAYS POSSIBILITY THAT CONGRESS MIGHT CHOOSE TO ABANDON QUOTA SYSTEM.

7. AMBASSADORS RESPONDED THAT THEIR GOVERNMENTS ATTACHED GREAT IMPORTANCE TO THE EXISTENCE OF A RELIABLE US QUOTA EVEN IF WORLD MARKET REMAINED FIRM AND PRICE EXCEEDED THAT PAID IN US MARKET. FLETCHER (JAMAICA) OBSERVED THAT LIMITED OFFICIAL USE

CONTRACTS WERE BANKABLE INSTRUMENTS AND IMPORTANT TO SMALL PRODUCING NATIONS SUCH AS HIS. AS FOR THE POSSIBLE ABANDONMENT OF THE QUOTA SYSTEM, MCCOMBIE WONDERED IF, REALISTICALLY, CONGRESS WOULD ABANDON A SYSTEM WHICH OVER THE YEARS HAD PROVIDED A GUARANTEED SUPPLY TO THE US MARKET.

8. IN CONCLUSION, SHLAUDEMAN REPEATED ASSURANCES THAT STATE WAS SYMPATHETIC AND UNDERSTANDING OF PROBLEM AND WE WOULD CONTINUE TO EXAMINE WAYS AND MEANS WHEREBY THE ADVERSE CONSEQUENCES COULD BE AMELIORATED. HE PROMISED TO KEEP THE AMBASSADORS INFORMED AS THE SITUATION DEVELOPED AND TO BE BACK IN TOUCH REGARDING THE SCHEDULING OF THE MEETING THEY PROPOSED.

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9. FYI TO POSTS:

SECTION 204(A) PROVIDES INTER ALIA QUOTE THAT IF THE PRESIDENT DETERMINES THAT SUCH ACTION WOULD BE IN THE NATIONAL INTEREST, AND PART OF A DEFICIT...MAY BE ALLOCATED...ON SUCH BASIS AS THE PRESIDENT FINDS APPROPRIATE END QUOTE END FYI. RUSH

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